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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

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**FORM X-17A-5
PART III**

FACING PAGE

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REPORT FOR THE PERIOD BEGINNING 1/1/2016 AND ENDING 12/31/2016

MM/DD/YY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BROWN AND BROWN SECURITIES, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

4925 GREENVILLE AVE. SUITE 990

(No. and Street)

DALLAS

TEXAS

75206

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

COLON BROWN

214-696-1768

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MESCH MCBRIDE

(Name - if individual, state last, first, middle name)

600 TEXAS STREET

FORT WORTH

TEXAS

76102

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

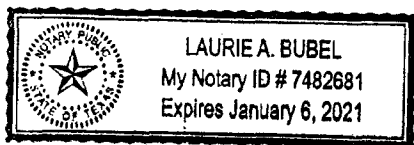
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John

OATH OR AFFIRMATION

I, COLON BROWN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BROWN AND BROWN SECURITIES, INC., as of DECEMBER 31, 20 16, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Colon Brown
Signature

PRESIDENT

Title

Laurie A. Bubel
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



MESCH MCBRIDE

BROWN AND BROWN SECURITIES, INC.

FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION, & INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Brown and Brown Securities, Inc.

We have audited the accompanying statement of financial condition of Brown and Brown Securities, Inc. as of December 31, 2016, and the related statements of operations, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of Brown and Brown Securities, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Brown and Brown Securities, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplemental information contained in Schedule I - Supplemental Schedules Required by Rule 17A-5 of The Securities and Exchange Commission, Schedule II - Determination of Reserve Requirements Under Rule 15c3-3 of The Securities and Exchange Commission, Schedule III - Information Relating to the Possession or Control Requirements Under Rule 15c3-3 of The Securities and Exchange Commission have been subjected to audit procedures performed in conjunction with the audit of Brown and Brown Securities, Inc.'s financial statements. The supplemental information is the responsibility of Brown and Brown Securities, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the

supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mad MS Bid, LLC

Fort Worth, Texas
February 18, 2017

Brown and Brown Securities, Inc.
Statement of Financial Condition
December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 87,678
Cash with clearing organization, restricted	25,000
Commissions receivable, net	23,893
Investments	<u>329,095</u>

Total current assets	<u>\$ 465,666</u>
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Total Assets	<u>\$ 465,666</u>
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LIABILITIES AND SHAREOLDERS' EQUITY

Current Liabilities

Accounts payable	\$ 30
Accounts payable - related party	<u>33,500</u>

Total current liabilities **\$ 33,530**

Long-term Liabilities **0**

Total Liabilities **33,530**

Shareholders' Equity

Common stock, 1,000,000 shares authorized, \$.01 par value, 26,000 shares issued and outstanding	260
Additional paid-in capital	25,740
Retained earnings	<u>406,136</u>

Total Shareholders' Equity **432,136**

Total Liabilities and Shareholders' Equity **\$ 465,666**

The accompanying notes are an integral part of these financial statements.

Brown and Brown Securities, Inc.
Statement of Operations
For The Year Ended December 31, 2016

Revenue

12b-1 fees	\$ 246,928
Mutual funds	163,253
Commissions - other	11,700
Dealer fees	<u>419</u>

Total Revenue **\$ 422,300**

Expenses

Administrative	343,862
Professional fees	6,160
Licenses and permits	4,155
Regulatory fees	3,392
Commissions - clearing expense	2,266
Commissions	1,722
Bonding expense	1,502
Miscellaneous	<u>177</u>

Total Expenses **363,236**

Operating Income **59,064**

Other Income and Expenses

Insurance income	\$ 188
Interest and dividend income	6,567
Loss on investments	<u>(1,746)</u>

Total Other Income and Expenses **5,009**

Income Before Provision for Income Taxes **64,073**

Provision for franchise taxes 0

Net Income **\$ 64,073**

The accompanying notes are an integral part of these financial statements.

Brown and Brown Securities, Inc.
Statement of Changes in Shareholders' Equity
For The Year Ended December 31, 2016

Common Stock		
Beginning and end of year	\$	260
Additional Paid-in Capital		
Beginning and end of year		25,740
Retained Earnings		
Beginning of year	\$	342,063
Net income for the year		
ended December 31, 2016		<u>64,073</u>
End of Year		<u>406,136</u>
Total Shareholders' Equity	\$	<u>432,136</u>

The accompanying notes are an integral part of these financial statements.

Brown and Brown Securities, Inc.
Statement of Cash Flows
For The Year Ended December 31, 2016

Cash Flows from Operating Activities

Net Income	\$	64,073
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) Decrease in:		
Commissions receivable	\$	32,773
Investments		(13,256)
Increase (Decrease) in:		
Accounts payable		(50,970)
Accounts payable - related party		9,275
Total adjustments		<u>(22,178)</u>
Net cash provided by operating activities		41,895

Cash Flows from Investing Activities

Purchase of equipment	<u>0</u>	
Net cash provided by investing activities		0

Cash Flows from Financing Activities

Payments on capital lease obligations	<u>0</u>	
Net cash provided by financing activities		<u>0</u>

Net Increase in Cash		41,895
Cash and cash equivalents at beginning of year		<u>70,783</u>
Cash and cash equivalents at end of year	\$	<u><u>112,678</u></u>

The accompanying notes are an integral part of these financial statements.

Brown and Brown Securities, Inc.
Statement of Cash Flows (Continued)
For The Year Ended December 31, 2016

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for

Interest	\$	0
Taxes		<u>0</u>
Total	\$	<u><u>0</u></u>

The accompanying notes are an integral part of these financial statements.

Brown and Brown Securities, Inc.
Notes To Financial Statements
For The Year Ended December 31, 2016

Note 1: Description of Business

Brown and Brown Securities, Inc. (the "Company") was incorporated on June 15, 1984, under the laws of the State of Texas. The Company is a registered member of the Financial Industry Regulatory Authority ("FINRA") as a broker/dealer, and with the Securities and Exchange Commission ("SEC") under the Federal Securities Exchange Act of 1934 ("Act").

The Company acts as a dealer/investment advisor for certain offerings and does not maintain discretionary accounts for its customers. All customer transactions are cleared through a third party clearing firm, Hilltop Securities, Inc. ("HTS"), on a fully disclosed basis. Accordingly, the Company is exempt from Rule 15c3-3 of the Act under Section (k)(2)(ii) of this rule. Based on the agreement between HTS and the Company, the Company pays a clearing fee to HTS for handling all trades for the Company.

Note 2: Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which is required by the SEC and FINRA.

Use of estimates

The presentation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include investments with maturities at the time of acquisition of three months or less. The Company has not designated any other assets as cash equivalents in determining the net change in cash in the statements of cash flows.

Restricted cash

As of December 31, 2016, cash of \$25,000 was pledged as collateral to secure deposit requirement at HTS.

Credit risk

The Company maintains deposits at a financial institution which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

Brown and Brown Securities, Inc.
Notes To Financial Statements
For The Year Ended December 31, 2016

Note 2: Summary of Significant Accounting Policies (Continued)

Commissions receivable

Receivables consist primarily of commissions earned during the year but not received as of year-end. Commissions are earned through a reputable investment fund company. Receivables are recorded only when substantial evidential matter is obtained as to the validity of the receivable. As collection of receivables has historically been consistent and timely, management determined collectability is reasonably assured; as such, the Company does not record an allowance for doubtful accounts or maintain a policy for determining reserves for past due or delinquent receivables.

Revenue and cost recognition

Investment transactions are recorded on a trade-date basis. Commissions and related brokerage and clearance fees, dividends and interest are recorded in the period in which they were earned or incurred. Unrealized and realized gains and losses are calculated based on the difference between the fair market value of investments at the beginning of the year (or the purchase price if purchased during the year) and the fair market value of investments at the end of the year (or sales price if sold during the year). Selling, general and administrative costs are charged to expense as incurred.

Note 3: Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable input (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access,

Level 2 Inputs to the valuation methodology include:

- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Brown and Brown Securities, Inc.
Notes To Financial Statements
For The Year Ended December 31, 2016

Note 3: Fair Value Measurement (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In establishing a fair value hierarchy for the Company's investments in accordance with ASC 820, the following value methodologies were used for fair value measurement:

The carrying value of cash and cash equivalents, receivables, and accounts payable approximate fair value due to the short maturity of these instruments.

Investments in mutual funds and other marketable securities are valued at the closing trade price on each security's primary exchange at the close of each business day. The gains or losses on the sale of securities are calculated using the actual cost method. The Company recognized net loss on securities held during the year of \$1,746.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The Company believes its valuation methods are appropriate and consistent with other market participants; even so, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As the investments are valued at quoted market prices, the Company considers them to be Level 1 inputs under the guidance of ASC 820.

Investment in mutual funds at December 31, 2016 consisted of the following:

	<u>Cost</u>	<u>Fair Market Value</u>
Investments in mutual funds	<u>\$300,099</u>	<u>\$ 329,095</u>

Note 4: Related Party Transactions

The Company shares office space and other operating expenses with a related entity owned and operated by the shareholders of the Company. The Company pays ninety percent of its gross profit to the related entity for its share of the associated expenses. However, the reimbursements are limited if they would cause the Company to have insufficient resources to satisfy its obligations or not be in compliance with net capital requirements. Total amount paid during the year ended December 31, 2016 was \$343,700.

Brown and Brown Securities, Inc.
Notes To Financial Statements
For The Year Ended December 31, 2016

Note 5: Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed certain limits. As of December 31, 2016, the Company was in compliance with both their minimum net capital and ratio of aggregate indebtedness requirements.

Note 6: Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Service Code to be an S Corporation. In lieu of a provision for income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the company's taxable income.

The Company is subject to the Texas franchise tax; however, total revenue for the year ended December 31, 2016 was less than the taxable threshold. Therefore, total franchise tax due for the year ended December 31, 2016 was \$0.

The Company has adopted the provisions of ASC Topic 740 (Income Taxes) relating to unrecognized tax benefits on January 1, 2009. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Company is liable for taxes if its initial election as an S Corporation was invalid or if it ceases to meet the requirements of an S Corporation. The Company believes that its initial election was valid and that it continues to meet the requirements of an S Corporation, and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of December 31, 2016.

The Company is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2013 or subject to Texas franchise tax examinations for years before 2011.

Note 7: Subordinated Liabilities

There were no liabilities which were subordinated to the claims of general creditors at December 31, 2016.

Note 8: Subsequent Events

Management has evaluated subsequent events through February 18, 2017, the date the financial statements were available to be issued. There were no events noted that came to the attention of management that would require adjustments to or disclosure in the financial statements.

Brown and Brown Securities, Inc.
Schedule I - Supplemental Schedules Required by Rule 17A-5
Of The Securities and Exchange Commission
As Of December 31, 2016

Computation of Net Capital:

Total stockholders' equity	\$ 432,136	
Add: subordinated liabilities	<u>0</u>	
Net capital before other deductions and/or charges		\$ 432,136
Non-allowable assets:		
12b-1 fees receivable, not offset by related payable and other receivables	0	
Property and equipment	0	
Other assets	<u>0</u>	
Total non-allowable assets		0
Haircut on securities		<u>(21,459)</u>
Net Capital		<u><u>\$ 410,677</u></u>

Computation of Basic Net Capital Requirement

Minimum net capital required - 6.67% of aggregate indebtedness	<u><u>\$ 2,236</u></u>
Minimum dollar net capital requirement of reporting broker or dealer	<u><u>\$ 50,000</u></u>
Excess net capital	<u><u>\$ 360,677</u></u>
Net capital in excess of the greater of: 10% of aggregate indebtedness or 120% of minimum net capital requirement	<u><u>\$ 350,677</u></u>

See independent auditor's report on supplemental schedule.

Brown and Brown Securities, Inc.
Schedule I - Computation of Net Capital Under Rule 15c3-1 of The
Securities and Exchange Commission (Continued)
As Of December 31, 2016

Computation of Aggregate Indebtedness

Total liabilities	\$ 33,530
Less: exclusions	<u>0</u>
Aggregated Indebtedness	<u><u>\$ 33,530</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>8.16%</u></u>

Reconciliation with Company's Allowable Net Capital

Net allowable capital, as reported in Company's unaudited Focus Report	\$ 410,677
Audit adjustments	<u>0</u>
Adjusted net allowable capital, per audited financial statements	<u><u>\$ 410,677</u></u>

Changes in Liabilities Subordinated to Claims to General Creditors

Such claims at January 1, 2016	\$ 0
Additions	0
Reductions	<u>0</u>
Balance of such claims at December 31, 2016	<u><u>\$ 0</u></u>

There is no material difference in the above computation and the Company's net capital, as reported in Company's Part IIA (unaudited) FOCUS report as of December 31, 2016.

See independent auditor's report on supplemental schedule.

Brown and Brown Securities, Inc.
Schedules II and III
December 31, 2016

Schedule II – Computation For Determination of Reserve Requirements
Under Rule 15c3-3 Of The Securities and Exchange Commission

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii) in which all customer transactions are cleared through a clearing firm on a fully disclosed basis. Transactions are cleared through Hilltop Securities, Inc.

Schedule III – Information Relating to The Possession or Control Requirements
Under Rule 15c3-3 Of The Securities and Exchange Commission

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to paragraph (k)(2)(ii) of the Rule.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Brown and Brown Securities, Inc.

We have reviewed management's statements, included in the accompanying Brown and Brown Securities, Inc.'s Exemption Report, in which (1) Brown and Brown Securities, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Brown and Brown Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) (the "exemption provisions") and (2) Brown and Brown Securities, Inc. stated that Brown and Brown Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Brown and Brown Securities, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Brown and Brown Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Mesch McBride, PLLC

Fort Worth, Texas
February 18, 2017

BROWN & BROWN
SECURITIES, INC.
Member FINRA/SIPC

Brown and Brown Securities, Inc.
Exemption Report
Year Ended December 31, 2016

Brown and Brown Securities, Inc. (the Company) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

1. The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the following provisions of 17 C.F.R. §240.15c3-3 (k)(2)(ii).
2. The Company met the identified exemption provisions in 17 C.F.R. §240.15c3-3 (k)(2)(ii) throughout the period January 1, 2016 to December 31, 2016 without exception.

Brown and Brown Securities, Inc.

I, Colon Brown, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: 

President

February 18, 2017